




**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF MENTAL RETARDATION SERVICES
ADMINISTRATIVE SERVICES
ANDREW JACKSON BUILDING
500 DEADERICK STREET, 15TH FLOOR
NASHVILLE, TENNESSEE 37243**

MEMORANDUM

TO: Provider and Independent Support Coordination Agencies

FROM: Stephen H. Norris, Deputy Commissioner 

RE: Reimbursement Reduction

DATE: December 6, 2007

National statistics indicate Tennessee's expenditure for persons participating in the Statewide Home and Community Based Services Waiver (HCBS) is greater than any other state in the southeast region and most other states in the nation. The current average daily cost is approximately \$233.00 per person for individuals receiving services in the statewide waiver which is significantly higher than the \$209.00 average per diem budgeted for this fiscal year.

The following chart reflects the increase in the average daily cost per person over the past several months:

<u>Month</u>	<u># of HCBS Statewide Waiver Participants</u>	<u>Cost Per Day</u>
January, 07	5,952	\$224.87
February, 07	5,954	226.41
March, 07	5,970	225.87
April, 07	6,000	225.84
May, 07	6,025	229.29
June, 07	6,018	230.50
July, 07	6,006	234.61
August, 07	6,024	230.35
September, 07	6,039	229.37
October, 07	6,027	233.31

In October, I implemented the DMRS Cost Review Initiative in order that we may determine how best to meet the needs of persons receiving services in the most cost effective way. This measure is multifaceted and should yield positive benefits in the long term. However, it is necessary that I implement extraordinary measures immediately in an effort to manage the deficit. Economic indicators reveal tax revenues are notably below projections and a rebound is not anticipated by the end of the fiscal year.

For the month of October payment, I am implementing a 5.7% across the board rate reduction for services funded through the Statewide HCBS Waiver. The adjusted main waiver payment for October, 2007 services is considered payment in full for services provided in the month of October, 2007, billed to the Division and paid by TennCare.

The attached statement "Explanation of Benefits, (EOB)" sets forth the status of various provider billing which were processed through TennCare during November, 2007 for the service month of October, 2007 and previous month late bills or adjustments. The across-the-board reduction of 5.7% affects Statewide HCBS Waiver payments only for the month of October.

Our preferred methodology is to affect cost reductions on a cost plan by cost plan basis in order to ensure that everyone gets what they need. Failing that, I will have no choice other than to implement rate reductions as needed. We must operate within our budget. Going forward on a monthly basis within this fiscal year, the Division will review expenditures per waiver program and implement reductions as required to maintain program financial integrity.

It is vitally important that we strengthen our partnership and resolve to sustain a service delivery system responsive to the needs of persons with intellectual disabilities. These are indeed very difficult and challenging times. I have confidence that I can depend on each of you to be part of the solution. We welcome your ideas and suggestions for how best to decrease the cost of service provision without sacrificing quality.

Should you have any questions regarding the cost reduction please contact:

Fred Hix, Assistant Commissioner for Administration
Telephone: 615-253-6710

SHN/RS/DH

Attachment

C: Commissioner Dave Goetz
Deputy Commissioner Darin Gordon
DMRS Assistant Commissioners
DMRS Regional Directors